



May 18, 2004

BUDGET SUPPLEMENT #3**SUBJECT: City Council Preliminary Policy Direction on Service and Service Level Revisions****REPORT IN BRIEF**

This report describes 68 budget supplements that have been prepared by City staff in response to preliminary policy direction provided by the City Council on May 4, 2004. The budget supplements identify the effects of increasing, decreasing, or eliminating these services. Council's preliminary policy direction would result in a net total reduction of \$1.9 million. Using Council's policy direction and staff analysis, the City Manager is recommending a net reduction of \$922,454 that could be implemented in FY 2004/2005 and an additional \$1.3 million in reductions that could be available pending further review by staff. The City Manager recommends reviewing these reductions for implementation following analysis of the City's financial situation in December 2004.

The recommended budget contains a total of \$1.1million in reductions or revenue increases for FY 2004/2005 and \$2.6 million for FY 2005/2006 under fiscal strategies. The cost reductions detailed in this budget supplement can be used toward funding these fiscal strategies. Attachment A provides a cost summary of all the budget supplements. Staff plans to continue to examine those supplements requiring further analysis and other remaining areas of policy direction during FY 2004/2005. This examination will be completed as part of the development of the financial strategies described in the transmittal letter for this annual budget. The results of this examination will be reported to the City Council.

BACKGROUND

The City Council approved in February 2004 a new process to prepare, to review, and to provide initial and final policy direction for the City's budget and long-term financial plan. Council held a series of special and regular meetings in March, April, and May 2004 as part of this new budget process.

- March 13, 2004. This was the first of two meetings Council used to review and begin the process of prioritizing City services. The services provided by

the Finance, Public Safety, Information Technology, and Parks and Recreations departments, and the Office of the City Manager, were presented.

- March 20, 2004. Services provided by the Community Development, Libraries, Human Resources, and Public Works departments, and the Office of the City Attorney, were presented.
- April 10 and 17, 2004. City staff presented the preliminary, unbalanced long-term financial plans for all funds at these meetings. In addition, Council participated in an exercise to help clarify its vision for Sunnyvale, and began a process to assign service level rankings to selected City services. The service level rankings were used to revise existing service levels. Staff collected and tabulated Council's individually completed worksheets.
- May 4, 2004: The tabulated worksheets were presented at this regular Council meeting. Council provided preliminary policy direction by identifying services that it would like to see a 5% increase, a 5%, 10%, or 15% reduction, or to discontinue providing the service. Staff determined the cost increases or reductions, the increases or decreases to work hours, and other effects that would result if these policy directions were implemented.

Multiple methods were used to inform the public about these meetings and to encourage their involvement and participation in the revised budget process.

EXISTING POLICY

Fiscal Sub-Element of the General Plan

Goal 7.1B: Financial Practices: Maintain Sound Financial Practices Which Meet All Applicable Standards and Direct the City's Financial Resources Toward Meeting the City's Long-Term Goals.

Policy 7.1B.5: Performance Budget System: Maintain and refine the Performance Budget System to assure its use for multi-year planning, full cost accounting, and budget monitoring.

DISCUSSION

City staff has prepared a budget supplement for all services where Council indicated its interest to increase service levels, to reduce service levels, or for the service to be eliminated. In some cases, alternative reductions are provided when staff believes it would be more workable or lessens the negative impact.

Attachment A to this report lists these services and alternatives, and the cost increases or reductions that would result from these actions. Council's

preliminary policy direction would result in a total net reduction of \$1.9 million. Staff has performed a preliminary review of the impacts that these adjustments would have to service levels. Based on this preliminary review, the City Manager is recommending a total of \$970,998 in cost reductions that could be implemented during FY 2004/2005. A total of \$52,742 in supplements and \$4,198 in fee increases is also recommended for implementation during FY 2004/2005. These reductions, supplements and fee increases will be reviewed for implementation following analysis of the City's financial situation in December. An additional \$1.3 million in cost reductions are recommended by the City Manager pending further study by staff. Staff will be analyzing these cost reductions over the next fiscal year. This examination will be completed as part of the development of the financial strategies that will be used to resolve long-term structural problems in the budget. These remaining areas of policy direction and the financial strategies are described in the transmittal letter. Added together, a net total of \$2,258,386 in cost reductions, supplements and fee increases are recommended by the City Manager.

SERVICE LEVEL IMPACT

Attached to this report are budget supplement forms for each item that received policy direction. The forms describe anticipated changes to outcome or performance measures, and additions or reductions in products that can be expected to occur after these service level changes are implemented.

FISCAL IMPACT

The overview of the fiscal impact of these budget supplements has been previously described in this report. These supplements can be utilized to fund the fiscal strategies line items that are identified in the financial plans. Attachment A to this report provides a cost summary of the budget supplements.

PUBLIC CONTACT

The recommended FY 2004/2005 budget and long-term financial plan is available at the City Library. All budget documents are posted on the City's web site.

Prepared by:

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City Manager's Recommendation

☐ Approve Budget Supplements For Incorporation into the Recommended Annual Budget and Long-Term Financial Plan as Indicated on Attachment 1

☐ Do Not Approve Budget Supplements For Incorporation into the Recommended Annual Budget and Long-Term Financial Plan as Indicated on Attachment 1

Amy Chan,
City Manager

Attachments